

Department of City Development, City of Milwaukee

Request for Qualifications #57574
Milwaukee Challenge Fund
Redevelopment of City Owned
Tax Foreclosed Properties

Addendum #1

March 24, 2015

THIS ADDENDUM IS ISSUED TO MODIFY, CLARIFY OR CORRECT THE ORIGINAL DOCUMENTS AND IS HEREBY MADE A PART OF SAID DOCUMENTS.

The following language shall be inserted into the Request for Qualifications document, under the section entitled “Selection”:

The City may select any number of proposers, or none at all, and the proposals may serve as starting point for negotiating an ultimate Development and Sales Agreement.

Final approval and execution of an actual Development and Sales Agreement would be contingent on, but not limited to, the successful negotiations of terms and conditions of the Development & Sales Agreement and Common Council approval.

Questions received and Answers given to date.

Question #1: How is the gap funding amount determined by the city? Are there any example scenarios documented that I can look at?

Answer #1: For homeownership projects, the gap will be determined by the difference between total development costs and projected net sales proceeds. For example, the cost to acquire and rehabilitate (including holding costs) a City owned tax foreclosure in Neighborhood X is \$60,000. The property's after rehab appraised value is \$50,000. The developer sells the property to a homeowner for \$50,000 and after netting out broker fees, net sales proceeds are \$47,000. The gap for this project would be \$60,000-\$47,000 or \$13,000.

For rental projects, the gap will be determined based on the difference between total development costs and the amount that can be supported by owner equity and private financing. For example, the total cost to acquire and rehabilitate a City owned tax foreclosed duplex is \$80,000. Based on projected cash flow for the project, the developer can obtain a mortgage for the project in the amount of \$48,000 and will provide owner's equity for the project in the amount of \$12,000. The gap for the project would \$80,000-\$48,000-\$12,000 or \$20,000.

The following are intended as examples only, and are not meant to reflect actual development costs and/or market conditions. These will vary based on both properties and neighborhoods.

Question #2: Is there any discounts for purchasing the city properties in bulk?

Answer #2: If there are purchase price discounts, they will be determined as part of the underwriting for the project and determination of the project gap, and how best to fill the gap – i.e., gap financing or purchase price reduction.

Question #3: Are there any tax discounts available for acquiring a bulk amount of properties?

Question #3: No

Question #4: In the area of submission criteria requirements. Would the city want a list addresses of acquired properties in the last 10 years?

Answer #4: Provide a list of properties that you currently own in the City.

Question #5: Can we use awards and certifications to describe our experience in the community?

Answer #5: Yes

Question #6: In the focus area are we able to build new homes?

Answer #6: The RFQ is intended to address the current inventory of City owned properties, so rehabilitation is the priority. In addition, new construction was not considered for this RFQ because of the level of subsidy typically required for infill new construction projects.

Respondents can, however propose the acquisition/improvement of city owned vacant lots adjacent to City owned properties or working with local community based partners to improve City owned vacant lots in the targeted neighborhood. Should a respondent have a model which includes new construction in addition to rehabilitation, and is proposing a model that brings other resources that don't require high levels of City subsidy, we would suggest you include them as an option in your proposal, but again, the focus of the RFQ is acquisition of existing City properties and rehabilitation.

Question #7: In the focus area are we able to build new homes with out historical requirements.

Answer #7: Refer to above – the priority for this RFQ is on rehabilitation.

Question #8: In the criteria of development is the creating of Gardens an acceptable use of a vacant lots?

Answer #8: Generally, yes – unless the size and location of the lot would dictate that it should be held for future development.

Question #9: What other examples of uses of vacant lots would the city want to see?

Answer #9: You can review the Vacant Lot Pattern Book referred to in the RFQ for other ideas for improving vacant lots. We would suggest you may also want to consult with your neighborhood partner to identify their priorities for the improvement of vacant lots in their neighborhood.

Question #10: In commitment to use small business enterprises is our status as a SBE and MBE meet the criteria the city requires for 100% participation?

Answer #10: The City's contracting goal for the use of SBE's in the RFQ is 40%.

Question #11: Please explain how the Gap financing will work? My understanding is that Banks will only allow 80% of financing based on appraisal if the scope and budget exceeds the appraisal is that where we can use the city gap financing to complete the project.

Answer #11: Yes, for homeownership projects, the gap would represent the costs in excess of appraisal. In regard to the difference between 80% of the property value and 100% of the property value for financing purposes, the developer would be expected to bring other financing, including owners' equity to the transaction for financing purposes.

Question #12: Can you provide clearer example of what you expect in showing a typical proforma statement.

Answer #12: Please refer to the RFQ. We are not asking you to provide a typical proforma for your response, given you do not currently know what properties you will be developed. For homeownership projects, based on the neighborhood selected and your knowledge of the market, what do you expect you will be able to sell properties to homeowners for after rehabilitation?

In regard to your proforma – what will be your expectations in regard to how much you will need to earn (through development fees and/or construction management fees) in order to undertake the project? This could be a fixed amount, or a %age of overall development costs.

For rental projects, again, what do you believe the typical rents are for the neighborhood? Based on your experience as a rental property owner, what are your typical per unit operating costs. What level of equity will you bring to the project, and what amount of financing (loan funds) will you be able to bring to the project on a per unit basis?

Question #13: In selections area are will the city assist in holding cost when a property is purchased and set to Sell?

Answer #13: Projected and reasonable holding costs should be part of your development budget.

Questions and Answers form the Pre-Submission Meeting:

In regard to capacity – and the requirement that the City is looking for development teams that can address at least 15 properties a year – is it 15 units or 15 properties?

15 properties

Potential homeowners are having difficulties getting financing for home purchase. Can the City help us reach out to banks?

There are a number of local lenders who have worked with the City and its partners to provide loans for homebuyers with loan products that are sensitive to meeting the needs of homebuyers. In addition, there are a number of non-profit homebuying counseling agencies in the City who work directly with potential homebuyers to help prepare them for homeownership and assist them in obtaining financing for their purchase. We suggest you may want to look at the Take Root Milwaukee website – takerootmilwaukee.org

Take Root Milwaukee is Milwaukee's homeownership consortium – and it includes lenders, homebuying counseling agencies, realtors and other partners who work to promote and preserve homeownership in the City.

What type of sales data and market information can the City provide for neighborhoods?

Respondents can use the City's Strong Neighborhoods mapping tool (identified in the RFQ) to obtain information about local neighborhoods, levels of homeownership, property ownership, foreclosed properties, tax delinquencies and a variety of other data. We would also suggest you can utilize MLS information for property sales and market information. There is also an expectation that respondents will conduct some of the own research and have a basic knowledge of the market in the neighborhood they are proposing to work in as part of their responses to the RFQ.

Will there be a scope of work on each property?

For every property the City acquires, the City's Department of Neighborhood Services prepares a scope of work which lists all of the repairs necessary to make the property code compliant. Note that this may not always be the same as the recommended rehab standard proposed in the RFQ – which may require additional repairs. You will be expected to create your own scope of the property that will address the "code compliance scope" as well as items that would be needed to achieve the recommended rehab standard proposed in the RFQ.

What is the hold period (ownership period) for properties purchased as part of the initiative?

For homeownership projects – there is no minimum hold period – properties would be sold after completion of development. For rental projects – it would be consistent with the City's current policies, that is, if a project is receiving financial assistance the property must be held for a minimum of five years.

Is gap funding a grant or a loan?

It will likely be a loan, with a forgiveness provision which will correlate to the type of activity being proposed. For homeownership projects, it would be forgiven at the time of sale to an eligible homeowner. For rental projects, it would be forgiven after five years.

Can a team apply to work in more than one target area?

Yes – but they should have the demonstrated capacity to do so. In addition, given the expectation for the development team to have the capacity to develop at least 15 properties, you should not spread your proposal out over three neighborhoods if you are proposing to do less than 15 properties in each neighborhood.

Can new construction be considered as part of the proposal?

The RFQ is intended to address the current inventory of City owned properties, so rehabilitation is the priority. In addition, new construction was not considered for this RFQ because of the level of subsidy typically required for infill new construction projects. Respondents can, however propose the acquisition/improvement of city owned vacant lots adjacent to City owned properties or working with local community based partners to improve City owned vacant lots in the targeted neighborhood. Should a respondent have a model which includes new construction in addition to rehabilitation, and is proposing a model that brings other resources that don't require high levels of City subsidy, we would suggest you include them as an option in your proposal, but again, the focus of the RFQ is acquisition of existing City properties and rehabilitation.

Can the funds that are available be used to for the redevelopment of other foreclosed properties in the neighborhood that are not City owned?

No. However, if a respondent has access to resources to address other non-owned City properties, they should include it in RFQ – it would be considered in the evaluation of their proposal.

Are there targets or guidelines for hiring under-employed people?

The target goals in the RFQ are for the use of City certified Small Business Enterprises. However, any plans to employ unemployed or underemployed City residents will be considered in the scoring for response. Refer to RFQ for further information.

How will the rehab of historically designated properties be handled?

If the property is considered historic in nature, we will work with the applicant to address exterior restoration items to satisfy the City's goals for preservation. If the property is historically designated or located in a designated historic district, any rehabilitation plans will be reviewed by the City's historic preservation staff and they will approve the scope of work for renovation of the property. While this applies to exterior rehabilitation work, we would encourage the preservation of any unique interior features of properties being rehabilitated – e.g., woodwork, molding, staircase, etc.

Will the City continue to own the properties during and post construction?

No, the selected developers will take ownership of the properties prior to rehabilitation.

What if a property needs to be demolished?

At the time the City acquires ownership of properties through the tax foreclosure process, it evaluates properties and if the condition indicates the property needs to be demolished, they are referred to the City's Department of Neighborhood Services for demolition.

If the City reserves properties in a targeted neighborhood for the initiative, can a developer pick only those properties they want to redevelop?

The goal of the Challenge Fund is to address a sufficient number of properties in a targeted geographic area to make a visible difference and positive impact on the neighborhood. In working with development partners, we would expect them to work to achieve this goal. This means that you would be expected to work on a range of properties, some of which are more difficult to develop. We will work collaboratively on this – understanding issues relating to project feasibility – but you will not be able to “cherry pick” only those properties which might have more minimal rehabilitation needs.

Documents that are included by reference to this addendum and posted along with this addendum:

1. The sign-in sheet from the Pre-Submission Meeting (9 pages)
2. The power point presentation from the Pre-Submission Meeting (19 pages)

ALL PROPONENTS SHALL ACKNOWLEDGE RECEIPT AND ACCEPTANCE OF ADDENDUM NUMBER 1 (DATED March 25, 2015) FOR REQUEST FOR QUALIFICATIONS #57574, BY SIGNING IN THE SPACE PROVIDED AND SUBMITTING THE SIGNED ADDENDUM WITH YOUR PROPOSAL. PROPOSALS SUBMITTED WITHOUT THIS ADDENDUM MAY BE CONSIDERED NON-RESPONSIVE.

SIGNED THIS _____ DAY OF _____, 2015

SIGNATURE

COMPANY NAME